

Message Text

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AMEMBASSY PARIS
AMEMBASSY THE HAGUE

C O N F I D E N T I A L ROME 3422

BRUSSELS FOR USEEC AND USNATO; PARIS FOR OECD, GENEVA FOR MTN

E.O. 11652: GDS
TAGS: OECD, EGEN, IT
SUBJECT: EAST-WEST ECONOMIC RELATIONS - COMMON WESTERN ASSESSMENT

REF: (A) PARIS 3496; (B) STATE 34566; (C) BRUSSELS 3034

1. EMBASSY CONCURS WITH REF A THAT GENERAL ASSESSMENT OF
THE IMPLICATIONS FOR THE WEST OF DETERIORATING ECONOMIC
PROSPECTS WOULD BE WORTHWHILE AT THIS TIME. WE WOULD VIEW
EXERCISE AS CONSENSUS BUILDING WITHIN OECD COUNTRIES WHICH
HAVE DIVERGENT INTERESTS AND POLICIES IN DEALING WITH
EASTERN EUROPEAN COUNTRIES. HOWEVER, WE CAN REALISTICALLY
EXPECT ONLY TO FORM A BASIS OF UNDERSTANDING AMONG OECD
COUNTRIES AND TO PROVIDE A COMMON DIRECTION FOR
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POLICIES.

2. IN EMBASSY VIEW, ITALY WOULD LIKELY BE AMBIVALENT
TOWARDS THIS PROPOSAL. ITALY'S ECONOMY IS
BECOMING INCREASINGLY INTERDEPENDENT WITH
COMECON COUNTRIES. ITALY CURRENTLY SENDS APPROXIMATELY
5 PERCENT OF ITS EXPORTS TO COMECON COUNTRIES, HALF

OF THAT TO THE SOVIET UNION. ITALY'S DESIRE TO INCREASE OR MAINTAIN DOMESTIC ECONOMIC ACTIVITY HAS PROMPTED AN EXPORT DRIVE AND CONSEQUENTLY LARGE, LOW INTEREST BEARING CREDITS TO THE USSR AND OTHER COMECON COUNTRIES. ITALY'S OUTSTANDING CREDIT EXPOSURE TO EASTERN EUROPE RANKS SECOND ONLY TO WEST GERMANY AMONG WESTERN NATIONS. IN ADDITION, ITALY LOOKS TOWARD EASTERN EUROPEAN COUNTRIES TO DIVERSIFY ITS ENERGY SOURCES. FOR EXAMPLE, THE SOVIET UNION CURRENTLY SUPPLIES APPROXIMATELY 10 PERCENT OF ITALY'S NATURAL GAS NEEDS. POLAND IS SEEKING CREDIT FROM THE ITALIANS TO DEVELOP AND CONSTRUCT A PIPELINE FOR DELIVERY OF LIQUIFIED COAL. ITALY ALSO RECENTLY CONCLUDED AN AGREEMENT WITH ROMANIA FOR A COOPERATIVE RESEARCH PROGRAM ON FAST BREEDER REACTORS. ITALY IT SEEMS WOULD THEREFORE BE RELUCTANT TO ENGAGE IN ANY DISCUSSION WHICH IT FEARED MIGHT JEOPARDIZE ITS CURRENT ACTIVITIES OR LIMIT ITS FREEDOM TO DEAL WITH EASTERN BLOC COUNTRIES.

3. RE ISSUE OF POSSIBLE OVERLAP BETWEEN CURRENT NATO STUDY ON EAST-WEST RELATIONS AND PROPOSED STUDY (REF C), IT IS OUR IMPRESSION THAT, ALL THINGS BEING EQUAL, OECD IS MORE APPROPRIATE FORUM. UNDER THE CIRCUMSTANCES, HOWEVER, IT MIGHT BE BEST TO AWAIT RESULTS OF NATO STUDY. GARDNER

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